

Message Text

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42

ACTION EB-11

INFO OCT-01 AGR-20 CIAE-00 COME-00 INR-10 LAB-06 NSAE-00

RSC-01 SPC-03 STR-08 TRSE-00 CIEP-02 OMB-01 DODE-00

PA-04 USIA-15 PRS-01 SAM-01 L-03 ARA-16 EA-11 ISO-00

DRC-01 /115 W

----- 123065

R 082245Z FEB 74

FM AMEMBASSY SAN SALVADOR

TO SECSTATE WASHDC 4691

INFO AMEMBASSY TOKYO

AMEMBASSY GUATEMALA

AMEMBASSY TEGUCIGALPA

AMEMBASSY MANAGUA

AMEMBASSY SAN JOSE

AMEMBASSY LAPAZ

AMEMBASSY MEXICO

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E.O. 11652 NA

TAGS: EAGR, ETRD

SUBJ: COTTON FUTURES CONTRACTS

REF: A) SAN SALVADOR 4515, B) SAN SALVADOR 4121

1. SUMMARY: COTTON COOPERATIVE AVERS FIRM RESOLUTION ON ITS PART TO RESIST PRESSURE TO SELL TO JAPANESE AND CONFIRMS THAT JAPANESE ARE REQUESTING WORLD-WIDE BOYCOTT OF SALVADORAN COTTON.

2. MEMBERS OF THE BOARD OF COTTON COOPERATIVE (COOP) HAVE TOLD US THAT JAPANESE HAVE SHOWN AN INFLEXIBLE ATTITUDE IN CONSULTATIONS TO ARRIVE AT A SETTLEMENT OF COTTON FUTURES QUESTION. WE HAVE CONFIRMATION OF OUR SPECULATION IN REFTEL A THAT THE DIFFERENCE BETWEEN THE LOCAL AND JAPANESE POSITION WAS SMALL--\$44 VS. 43-- BUT BUYERS WOULDN'T YIELD. WHEN LOCAL DELEGATION WENT TO JAPAN IN JANUARY BUYERS CONTINUED HARD-LINE, REFUSING TO BUDGE FROM
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EARLIER POSITION, WHEREAS SELLERS (ACCORDING TO AN OUTSIDE

SOURCE) HAD RAISED THEIR ASKING PRICE TO AROUND \$50 AGAINST BACKGROUND OF HIGHER SPOT PRICES. JAPANESE REPORTEDLY CONTINUED WITH 70-30 PROPOSAL AND INSISTED THAT ANY SETTLEMENT REMAIN SECRET. LOCAL GROUP FOUND TOTAL PROPOSAL UNACCEPTABLE, SAYING WOULD BE IMPOSSIBLE WITH MEMBERSHIP OF SEVERAL THOUSAND TO KEEP ANY SOLUTION SECRET, PARTICULARLY IF THEY WERE TO ACCEPT WHAT THEY TERMED POOR JAPANESE OFFER. JAPANESE IDEA IS APPARENTLY TO MAKE SMALL SETTLEMENTS WITH EACH COUNTRY WITHOUT OTHERS KNOWING DETAILS. FACT THAT ALL PRODUCERS SEEM TO KNOW COMPLETE DETAILS OF PREVIOUS SETTLEMENTS DOESN'T DETER THEM IN THEIR ATTEMPTS AT SECRECY. SALVADORAN NEGOTIATORS RESENT THESE TACTICS.

3. JAPANESE EFFORTS TOWARD BOYCOTT OF SALVADOR'S COTTON HAVE HARDENED LOCAL POSITION AND COULD LEAD TO PROBLEMS IN OTHER AREAS. (EXTENSIVE LOCAL PRESS COVERAGE OF BOYCOTT CREATED SUCH ILL FEELINGS THAT JAPANESE INVOLVEMENT IN NEW INTERNATIONAL MARKET IS NOW REGARDED DOUBTFUL.) SALE TO HUNGARY OF 20,000 BALES WAS SUPPOSEDLY CLOSE TO CONSUMMATION WITH HUNGARIANS BACKED OUT CLAIMING JAPANESE PRESSURE. THIS COUPLED WITH BREAKING OF CONTRACTS BY JAPANESE ON OTHER COMMODITIES SHOWS BAD FAITH, ACCORDING TO INFORMANTS. IN ONE INSTANCE, SUMITOMO IS SUPPOSED TO HAVE RAISED THE PRICE OF BALE TIES DESPITE CONTRACTED PRICES. WHEN ASKED BY COOP WHY THIS COMPANY CLAIMS SANCTITY OF CONTRACTS WHEN BUYING COTTON BUT REFUSED TO RECOGNIZE SUCH SANCTITY WHEN SELLING OTHER COMMODITIES, LOCAL REPRESENTATIVE OF FIRM REPLIED THAT COTTON WAS QUOTE HANDLED IN A DIFFERENT DEPARTMENT END QUOTE. ANOTHER JAPANESE CONCERN BACKED OUT ON AGREEMENT FOR LARGE QUANTITY OF AMMONIUM SULFATE WHEN PRICE ROSE, DESPITE FIRM CONTRACT.

4. ALL THESE POINTS AND OTHERS ARE BEING COMPILED TO BE USED BY COOP IN CAMPAIGN TO CONVINCE OTHER POTENTIAL BUYERS OF VALIDITY OF LOCAL POSITION AGAINST JAPANESE. THIS ACTION WILL AWAIT OUTCOME OF COURT CASE NOTED IN REF B, NOW SAID TO BE SCHEDULED FOR LATTER PART OF FEBRUARY. IT IS OUR IMPRESSION THAT IF CASE IS FAVORABLE TO COOP THEY WILL SIMPLY USE PUBLIC RELATIONS CAMPAIGN TO SHOW WHY THEY WON; IF THEY LOSE, THEY STILL DON'T INTEND TO SELL AND CAMPAIGN WILL SHOW WHY THEY WON'T.

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